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ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF U S )  
WEST COMMUNICATIONS, INC. A COLORADO )  
CORPORATION, FOR A HEARING TO )  
DETERMINE THE EARNINGS OF THE )  
COMPANY, THE FAIR VALUE OF THE )  
COMPANY FOR RATEMAKING PURPOSES, TO )  
FIX A JUST AND REASONABLE RATE OF )  
RETURN THEREON AND TO APPROVE RATE )  
SCHEDULES DESIGNED TO DEVELOP SUCH )  
RETURN )

DOCKET NO. T-01051B-99-00-369

Arizona Corporation Commission

DOCKETED

FEB 12 2001

DOCKETED BY

IN THE MATTER OF U S WEST )  
COMMUNICATIONS, INC. TARIFF FILING )  
FOR APPROVAL OF A \$.25 SURCHARGE FOR )  
A CALL TO A U S WEST 800 SERVICE LINE )  
FROM A PAY TELEPHONE )

DOCKET NO. T-01051B-99-00-369

EXCEPTIONS TO DOCKET T-01051B-99-0105

The Arizona Consumers Council hereby files its exceptions to Docket Nos. T-01051B-99-0105 and T-01051B-99-369, known as the Settlement Agreement and Price Cap Plan.

**REVENUE REQUIREMENT:** The \$42.9 million increase in revenues for the company is greater than warranted. This increase is partially based upon customers paying 100% of the loop charge allowing the Qwest (formally U S West) to cream revenue from ancillary services such as Caller ID, Call Forwarding, last call return, etc. Qwest charges anywhere from \$.75 to several dollars for these services. Such services cost Qwest only pennies to provide. These services should pay their fair share of the cost of the loop. In a competitive market which the Company claims it wishes to reach, all charges must go to cost and then profits added on. Only monopolists can charge prices where the price of the service is hundreds if not thousands in percent above the cost of providing that service.

The Directory Assistance increase to \$.80 per call, which would include the connection, forces consumers to pay for services they may not need nor want. Most customers can and do dial the seven or ten digit number now without incurring an additional fee. If Qwest wishes to charge a connection fee, they have a perfect right to do so. Today, when

a customer gets a busy signal, the company will ask if the customer wishes to have Qwest continue to check the line and inform the customer that the call can be completed. For this they charge an additional fee. Customers deserve no less with directory assistance.

**PRODUCTIVITY FACTOR:** We agree with RUCO's contention that the productivity factor of 4.2% is too low. If the Commission accepts the 4.2% as an adequate, that productivity factor should be reevaluated each year of the agreement to insure that the Company is not over earning.

**BASKET STRUCTURE:** The adoption of the basket structure may or may not be a disservice to residential customers. Creating the baskets, tho, will not prevent Qwest from moving services between and among baskets 1 and 3. In fact this Settlement Agreement specifically permits and encourages this practice. This combining of services may force consumers to take certain services they may not need nor want because wanted services are mixed in with unneeded services. The fact that most services are priced far above cost, gives the Qwest tremendous flexibility to sell services it wants while depriving customers from obtaining services they wish without paying inflated prices by purchasing services separately.

**NEW SERVICES AND PACKAGES:** The Arizona Consumers Council opposes giving Qwest the flexibility it is requesting under the Settlement Agreement. The people of the state of Arizona have spoken clearly and convincingly in turning down Quest's Proposition 108 at the last election. That vote thwarted Qwest from imposing such flexibility in pricing. All new services, moving or combining services within and among baskets should remain under regulation unless Qwest can demonstrate that such services or changes are subject to the competitive market. That means customers are in fact taking service in substantial numbers from alternate providers.

**PRICE FLOORS:** As long as competitors must pay a higher rate for access to the network than Qwest charges customers for IFR services, competitors will not enter the market. We agree that a docket must be opened to fix this problem.

**GEOGRAPHIC PRICING:** Geographic pricing was turned down by the people when the rejected Proposition 108 in the last election. To allow such pricing without "true" competition within Qwest's service area in Arizona will allow a monopolist to cut prices by combining and pricing its services for a specific group in a geographic area where competition may be emerging, while allowing the company to keep prices higher in areas with no competition, thereby subsidizing one service and/or service area with another. Although Qwest can probably show that such flexibility will be available throughout its service area, they will have the ability to market to specific groups in specific areas to thwart competition. Such geographic pricing should not be permitted until it can be shown that competition exists in fact. We agree that this section be removed and not placed on a future docket until Qwest and its competitors demonstrate that competition is a fact.

**SERVICE QUALITY:** Service quality is nowhere near what it needs to be in Qwest's service area. The Commission needs to monitor service quality very closely and to institute sufficient penalties to insure that Qwest adhere to all provisions to insure quality service, installation and maintenance.

RESPECTFULLY SUBMITTED on February 12, 2001



Albert Sterman  
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